

REVIEW OF PAYROLL INTERNAL CONTROLS – FY 2005
REPORT NUMBER: A050124/B/F/F05023
AUGUST 16, 2005



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date: August 16, 2005

Reply To: Anthony W. Mitchell
Finance and Administrative Audit Office (JA-F)

Subject: Review of Payroll Internal Controls – FY 2005
Report Number: A050124/B/F/F05023

To: Kathleen M. Turco
Chief Financial Officer (B)

This report presents the results of our audit of the General Services Administration's (GSA) internal controls over the payroll function. The review was conducted in coordination with PricewaterhouseCoopers' (PwC) Fiscal Year (FY) 2005 Financial Statement Audit of GSA, and in support of applying agreed-upon procedures for the Office of Personnel Management (OPM) as required by the Office of Management and Budget (OMB) Bulletin No. 01-02 (as amended). The results will be provided to PwC for use in completing the FY 2005 Financial Statement Audit and in preparing their report on the effectiveness of internal controls over financial reporting. In addition, the results of applying agreed-upon procedures will be forwarded to OPM.

BACKGROUND

GSA's payroll function is performed at the National Payroll Center (NPC) located within the Heartland Finance Center in Kansas City, Missouri. The NPC uses the Payroll Accounting and Reporting (PAR) system to process payroll. PAR is an automated system that was implemented in February 1995. In addition to processing payroll for GSA's employees, the NPC also processes the payroll for a number of independent agencies and presidential commissions (customer agencies).

On a biweekly basis, time and attendance records are processed via interfaces with GSA's Electronic Time and Attendance Management System (ETAMS), a module of GSA's FEDdesk system. PAR identifies the ETAMS information and calculates the deductions for employees' benefits and tax obligations. The system produces all required payroll output and transmits information electronically to the Department of Treasury, OPM, and the Internal Revenue Service. In addition, PAR automatically posts payroll journal entries to the general ledger portion of Pegasys, GSA's accounting system. These transmissions occur after each bi-weekly payroll is processed.



Personnel actions are performed by GSA's Office of Human Resources in the appropriate region through the Comprehensive Human Resources Integrated System (CHRIS). On a daily basis, CHRIS interfaces with PAR in order to update personnel actions that effect payroll transactions. With the exception of the Office of the Inspector General, all Official Personnel Files (OPFs) are maintained by the Human Resources Consolidated Processing Center (CPC-6), also located in Kansas City, Missouri. OPFs contain information related to personnel actions, such as paperwork for promotions, grade and step increases, health benefit elections, life insurance elections, and Thrift Savings Plan elections.

PAR is also responsible for the disbursement of GSA's two main types of awards: Performance Awards and Fast Track Awards. Designated approving officials have the authority to enter awards through the FEDdesk launching platform, which interfaces with PAR, to process the electronic payment to the recipient.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective for our audit was to answer the following questions as related to the FY 2005 Financial Statement Audit:

Did the National Payroll Center have internal control policies and procedures designed to ensure effective financial reporting?

Were these controls operating as intended?

Was payroll information accurately transmitted to OPM?

In planning and performing our audit, we considered GSA's internal controls over the payroll function by obtaining an understanding of the agency's internal controls, determining whether these controls have been placed in operation, assessing the control risk, and performing tests in order to determine whether the internal controls were effective. As required by OMB Bulletin No. 01-02 (as amended), we are also performing procedures to assist OPM in assessing the reasonableness of retirement, health, and life insurance withholdings and contributions as well as employee headcount data.

To accomplish our audit objectives we:

- Interviewed NPC officials to gain an understanding of the operating procedures and internal controls.
- Verified procedures for various payroll functions.
- Tested a selected sample of pay periods.

- Tested a selected sample of payroll system data files for individual GSA employees.
- Performed additional inquiries and testing as needed.

We conducted the audit in accordance with generally accepted government auditing standards, and the above stated provisions of OMB Bulletin No. 01-02 (as amended).

RESULTS OF AUDIT

The internal controls over the payroll function appear to be operating effectively and efficiently to meet control objectives. Additionally, our testing to date indicates that payroll information has been accurately transmitted to OPM. As our audit did not identify any weaknesses in the internal controls or in the accuracy of the payroll information transmitted to OPM, we are not making formal recommendations concerning the payroll function.

The results of our work will be provided to PwC and will be considered in the completion of their audit of GSA's FY 2005 Financial Statements, in particular, for completing their report on management's assertions regarding the effectiveness of internal controls over financial reporting. In addition, as previously mentioned, we will provide a report on applying agreed-upon procedures to OPM.

We wish to thank NPC personnel for the assistance and courtesies they extended to us during this review. This report does not require a response, however, should you or your staff have any questions, please contact me on (202) 219-1505.



Anthony W. Mitchell
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